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Business Reference Room
University of Alberta
Business Building
Edmonton, Alberta T6G 2R6

PEOPLES OIL LIMITED

1990 ANNUAL REPORT

PEOPLES

ANNUAL GENERAL MEETING

Shareholders are cordially invited to attend the Company's Annual General Meeting which will be held on Tuesday, April 23, 1991 at 9:30 a.m. in the Viking Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta.

LETTER TO THE SHAREHOLDERS

This report is submitted to the shareholders on behalf of the Board of Directors. It will present a review of important developments which have affected the Compay during the past year ended October 31, 1990.

THE COMPANY

Peoples Oil Limited is based in Calgary and is actively engaged in oil and gas exploration and development. In past years most of our activities were concentrated in the United States where we developed important oil production. Greater efforts are now being made toward the identification and development of oil and gas reserves in Alberta and in western Saskatchewan.

During our last fiscal quarter we sold all of our interests in the SDC gas producing properties in the United States, which included the following wells - Alfalfa Acres #1-21, Fed #1-19, Fed #2-19, and Fed #16-19. In our opinion the properties had declined to the point where they were no longer economically attractive at the current lower gas prices of $1.35 U.S. per mcf.

CRUDE OIL AND NATURAL GAS PRICES

As at the fiscal year end of October 31, 1990 crude oil prices were approximately $33.25 U.S. per barrel for West Texas Intermediate.

Due to the Persian Gulf crisis it is still very difficult to predict future crude oil prices.

Natural gas prices continue to be low at $1.35 U.S. per mcf in the United States and $1.25 per mcf in Canada.

MAIN PROPERTIES

Peoples' main producing properties continue to be located in the V-Two Draw area of Converse County, Wyoming. We also hold extensive leases in the Deer Creek Unit in Natrona County, Wyoming where important gas reserves appear to be present.

V-Two Draw

Mon-Oil Inc. continues to operate the V-Two Draw properties in which Peoples owns a 31.25 percent working interest. Exploratory drilling is continuing in the area to the north and northeast of the leases in which Peoples holds an interest.

Deer Creek Project

The Deer Creek Unit is comprised of approximately 22,000 gross acres of which Peoples Oil owns approximately 5,500 net acres. A gas discovery well was drilled on the lands in 1985 and flowed approximately 1,000,000 cubic feet per day from one zone only. The well contains at least 20 zones of potential gas production totaling 240 feet. Some of these zones are associated with coal beds where methane is present. The gas zones occur over an interval of 8,500 to 9,500 feet. The discovery well was placed on production in July 1990 by the Unit operator, GLG Energy of Austin, Texas. Peoples did not participate in the costs of connecting the discovery well to the gathering system and will not receive any working interest income until payout of the penalty period. This is expected to occur in about 30 months. Peoples currently receives a small gross overriding royalty from this well.

Gas currently sells for $1.35 U.S. per mcf and no further development drilling is anticipated until gas prices improve.

Vermilion

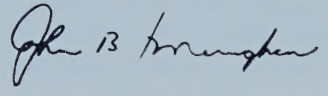
Peoples is in the advanced stages of studies and negotiations which could lead to the acquisition of a gas plant and leases located near Vermilion in central Alberta. Additional geological work and environmental studies remain to be done.

FINANCES

Peoples continues to enjoy a strong debt-free working capital position. We still plan to raise additional working capital through share issues, when market conditions permit.

We continue to believe that the future looks very promising for Peoples and we are confident that the company will continue to expand and prosper.

Once again, we would like to take this opportunity to thank those persons who have contributed to the success of Peoples during the course of the last year, including our Directors, who have unselfishly provided a great deal of assistance to the management of Peoples at little or no remuneration. We also thank the staff of Mon-Oil for all of their help, and, of course, we thank our shareholders for their encouragement and support.



John B. Maughan, P.Eng.
President
Calgary, Alberta,Canada
February 25, 1991

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Peoples Oil Limited as at October 31, 1990 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at October 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peat Marwick Thorne
Chartered Accountants

Calgary, Canada
January 11, 1991

PEOPLES

CONSOLIDATED BALANCE SHEET

October 31, 1990 [with comparative figures for 1989]

	1990	1989
ASSETS		
Current assets:		
Cash and term deposits	**$ 1,322,869**	$ 1,220,015
Inventory	**25,636**	24,771
Due from affiliates	**8,607**	39,591
Accrued interest receivable	**3,041**	5,301
Income taxes receivable	**3,129**	2,764
	1,363,282	1,292,442
Petroleum and natural gas properties, at cost	**240,000**	240,900
Less accumulated depletion and depreciation	**187,220**	183,330
	52,780	57,570
Other	**12,985**	12,997
	$ 1,429,047	$ 1,363,009
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deferred income taxes	**$ 66,897**	$ 91,481
Shareholders' equity:		
Share capital [Note 4]		
Authorized:		
10,000,000 common shares without nominal or par value		
Issued:		
2,105,003 common shares [1989 - 2,095,003 common shares]	**756,200**	750,200
Foreign currency translation account	**[35,424]**	[32,354]
Retained earnings	**641,374**	553,682
	1,362,150	1,271,528
	$ 1,429,047	$ 1,363,009

See accompanying notes to financial statements.

On behalf of the Board:

_____, Director

_____, Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended October 31, 1990 (with comparative figures for 1989)

	1990	1989
Revenues:		
Oil and gas	**$ 40,383**	$ 128,765
Royalty	**-**	3,616
Interest	**146,127**	132,626
	186,510	265,007
Expenses:		
Production costs	**19,832**	70,555
Joint venture operating costs	**8,730**	44,486
Depletion and depreciation	**4,134**	41,678
General and administrative	**52,045**	44,983
Loss on disposition of petroleum and natural gas properties	**-**	183,383
	84,741	385,085
Income (loss) before income taxes	**101,769**	(120,078)
Income taxes (Note 3):		
Current	**35,077**	35,109
Deferred	**(21,000)**	(101,318)
	14,077	(66,209)
Net income (loss)	**87,692**	(53,869)
Retained earnings, beginning of year	**553,682**	607,551
Retained earnings, end of year	**$ 641,374**	$ 553,682
Earnings (loss) per share	**$ 0.04**	$ (0.03)

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Year ended October 31, 1990

5. SEGMENTED INFORMATION:

The Company operates principally as an oil and gas exploration and development company.

	1990		
	Canada	United States	Total
Revenues:			
Oil and gas and royalty	**$ -**	**$ 40,383**	**$ 40,383**
Interest	**118,190**	**27,937**	**146,127**
	118,190	**68,320**	**186,510**
Expenses:			
Production costs	**-**	**19,832**	**19,832**
Joint venture operating costs	**-**	**8,730**	**8,730**
Depletion and depreciation	**-**	**4,134**	**4,134**
	-	**32,696**	**32,696**
Segmented income before the following	**118,190**	**35,624**	**153,814**
General and administrative	**-**	**-**	**52,045**
Income taxes	**-**	**-**	**14,077**
Net income			**$ 87,692**
Identifiable assets	**$ 926,256**	**$ 502,791**	**$ 1,429,047**

	1989		
	Canada	United States	Total
Revenues:			
Oil and gas and royalty	$ -	$ 132,381	$ 132,381
Interest	101,862	30,764	132,626
	101,862	163,145	265,007
Expenses:			
Production costs	-	70,555	70,555
Joint venture operating costs	-	44,486	44,486
Depletion and depreciation	-	41,678	41,678
Loss on disposition of petroleum and natural gas properties	-	183,383	183,383
	-	340,102	340,102
Segmented income (loss) before the following	101,862	(176,957)	(75,095)
General and administrative	-	-	44,983
Income taxes	-	-	(66,209)
Net loss			$ (53,869)
Identifiable assets	$ 875,402	$ 487,607	$1,363,009

1990 ANNUAL REPORT

PEOPLES

OFFICERS AND DIRECTORS:

John B. Maughan, President & Director, Calgary, Alberta

Sherry L. Cremer, Vice-President Administration, Corporate Secretary & Director, Calgary, Alberta

H. Norman Stewart, Treasurer & Director, Calgary, Alberta

John I. Maughan, Director, Seattle, Washington

Julia M. Gill, Vice-President Public Relations & Director, Vancouver, British Columbia

Art Evans, Director, Calgary, Alberta

Michael W. Maughan, Vice-President Exploration & Director, Calgary, Alberta

Kenneth R. Murray, Director, Calgary, Alberta

Heather M. Stables, Assistant Secretary, Calgary, Alberta

HEAD OFFICE AND REGISTERED OFFICE:

1410 Elveden House, 717 - 7th Avenue S.W., Calgary, Alberta T2P 0Z3
Phone: (403) 269-7717

AUDITORS:

Peat Marwick Thorne, 1200, 205 - 5th Avenue S.W., Calgary, Alberta T2P 4B9

BANK:

The Royal Bank of Canada, Main Branch, 339 - 8th Avenue S.W.
Calgary, Alberta T2P 1C4

REGISTRAR AND TRANSFER AGENT:

Montreal Trust, 411 - 8th Avenue S.W., Calgary, Alberta T2P 1E7
Phone: (403) 267-6800

SOLICITORS:

Fenerty Robertson Fraser & Hatch, 30th Floor Western Canadian Place, 700 - 9th Avenue S.W.
Calgary, Alberta T2P 4A7

DuMoulin, Black, 1004 - 595 Howe Street, Vancouver, B.C. V6C 2T5

EXCHANGE LISTING:

Vancouver Stock Exchange, Symbol PPS

AUTHORIZED CAPITALIZATION:

10,000,000

SHARES ISSUED:

2,105,003